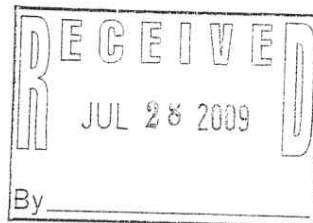


SOTOYOME RESOURCE CONSERVATION DISTRICT
BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

DATE RECEIVED:



AUDIT REVIEW #(s) 05077

Assigned To: Leamy

Date Reviewed: _____

Reviewer's Initials: _____

Date Review(s) Completed: _____

SOTOYOME RESOURCE CONSERVATION DISTRICT

Table of Contents

FINANCIAL SECTION

| | |
|------------------------------------|-----|
| Independent Auditor's Report | 1-2 |
|------------------------------------|-----|

| | |
|---|------|
| Management's Discussion & Analysis..... | 3-10 |
|---|------|

Basic Financial Statements:

Government-Wide Financial Statements

| | |
|------------------------------|----|
| Statement of Net Assets..... | 11 |
|------------------------------|----|

| | |
|-------------------------------|----|
| Statement of Activities | 12 |
|-------------------------------|----|

Fund Financial Statements

| | |
|---|----|
| Balance Sheet – Governmental Fund | 13 |
|---|----|

| | |
|--|----|
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets | 14 |
|--|----|

| | |
|--|----|
| Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds..... | 15 |
|--|----|

| | |
|---|----|
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities | 16 |
|---|----|

| | |
|--|----|
| Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual – General Fund | 17 |
|--|----|

| | |
|--|----|
| Statement of Fiduciary Net Assets- Agency Fund | 18 |
|--|----|

| | |
|---|-------|
| Notes to Basic Financial Statements | 19-26 |
|---|-------|

| | |
|--|-------|
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 27-28 |
|--|-------|



**FECHTER
& COMPANY**
Certified Public Accountants

Craig R. Fechter, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Of Sotoyome Resource Conservation District
Santa Rosa, California

We have audited the accompanying financial statements of the governmental activities, the major fund and the fiduciary fund of the Sotoyome Resource Conservation District (District) as of and for the fiscal year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the fiduciary fund of the Sotoyome Resource Conservation District as of June 30, 2008, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Of Sotoyome Resource Conservation District
Santa Rosa, California

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2008 on our consideration of the Sotoyome Resource Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Fechter & Company, CPAs

A large, stylized handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is written in a cursive, flowing style. Below the signature, the text "Sacramento, CA" and "November 5, 2008" is printed in a smaller, sans-serif font.

Sacramento, CA
November 5, 2008

**SOTOYOME RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

As management of the Sotoyome Resource Conservation District, we offer readers of the Sotoyome Resource Conservation District's financial statements this narrative overview and analysis of the financial activities of the Sotoyome Resource Conservation District for the fiscal year ended June 30, 2008.

Financial Highlights

- ❖ The assets of the Sotoyome Resource Conservation District exceeded its liabilities at the close of the most recent fiscal year by \$100,742 (*net assets*). Of this amount, \$86,403 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- ❖ As of the close of the current fiscal year, the Sotoyome Resource Conservation District's governmental funds reported combined (*liabilities and fund balances*) ending fund balances \$216,352, a decrease of \$36,931, in comparison with the prior year, approximately 43% of this total amount is available for spending at the District's discretion (*unreserved fund balance*).
- ❖ At the end of the current fiscal year, unreserved fund balance for the general fund was \$93,648 or 15% of the total general fund expenditures.
- ❖ The Sotoyome Resource Conservation District's total debt (*accounts payable and deferred revenue*) decreased by \$97,475 during the current fiscal year.
- ❖ The Sotoyome Resource Conservation District was awarded \$565,757 in grant contracts or other major awards during this fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Sotoyome Resource Conservation District's basic financial statements. The Sotoyome Resource Conservation District's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) fiduciary fund statement, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Sotoyome Resource Conservation District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Sotoyome Resource Conservation District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Sotoyome Resource Conservation District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**SOTOYOME RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Both of the government-wide financial statements distinguish functions of the Sotoyome Resource Conservation District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 10 – 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Sotoyome Resource Conservation District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Sotoyome Resource Conservation District uses governmental funds to account for its activities that improve the sustainability of natural resources (soil, water, and fisheries & wildlife), agricultural & urban conservation, and education and outreach in the district boundaries. The district adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 - 17 of this report.

Fiduciary Fund. Fiduciary funds are used to account for funds held by the Sotoyome Resource Conservation District in trust for other government agencies and private citizens. Specifically, these statements represent the fund balances for the Wright Preservation Bank Trust Account and the Laguna Valley Mitigation Bank Trust Account. These statements are found on page 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the

financial statements can be found on pages 18 – 25 of this report.

**SOTOYOME RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Sotoyome Resource Conservation District funding and obligations. The Independent Auditor's Report can be found on pages 1 - 2 of the report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. In the case of the Sotoyome Resource Conservation District, assets exceeded liabilities by \$100,742 at the close of the most recent fiscal year.

By far the largest portion of the Sotoyome Resource Conservation District's net assets (63%) is in its unrestricted net assets. Sotoyome Resource Conservation District uses these unrestricted net assets to met ongoing obligations to vendors and employees (overhead expenses and employee wages & benefits).

Sotoyome Resource Conservation District's Net Assets

| | <u>2008</u> |
|---|--------------------------|
| Current and other assets | \$ 216,352 |
| Capital assets | <u>14,339</u> |
| Total assets | <u>230,691</u> |
| Long-term liabilities outstanding | 7,245 |
| Deferred revenue | 99,358 |
| Other liabilities (accounts payable) | <u>23,346</u> |
| Total liabilities | <u>129,949</u> |
| Net assets: | |
| Invested in capital assets, net of related debt | 14,339 |
| Unrestricted | <u>86,403</u> |
| Total net assets | <u><u>\$ 100,742</u></u> |

The balance of unrestricted net assets (\$86,403) may be used to meet the District's ongoing obligations to vendors and its employees.

The net assets of the District increased by \$66,982 during the current fiscal year. 100% of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

**SOTOYOME RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Financial Analysis of the District's Funds

As noted earlier, the Sotoyome Resource Conservation District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Sotoyome Resource Conservation District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Sotoyome Resource Conservation District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported ending fund balances of \$93,648. Approximately 100% of the total amount constitutes the unreserved fund balance, which is available for spending at the District's discretion.

The general fund is the chief operating fund of the Sotoyome Resource Conservation District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$93,648 and the restricted fund balance was \$-0-, while total general fund balance (*liabilities and fund balances*) fell to \$216,352.

The fund balance of the Sotoyome Resource Conservation District's general fund increased by \$60,544 during the current fiscal year and the net assets increased by \$66,982. The key factor in these increases was due to the excess of revenues received over expenditures paid.

General Fund Budgetary Highlights

Differences between the original budget and the actual general fund budget can be briefly summarized as follows:

- ❖ \$228,153 decrease in Revenues
- ❖ \$8,277 increase in Salaries & Benefits
- ❖ \$392,763 decrease in Services & Supplies
- ❖ \$10,429 increase in Capital Outlay

Capital Asset and Debt Administration

Capital assets. The Sotoyome Resource Conservation District's investment in capital assets, as of June 30,

**SOTOYOME RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

2008, amounts to \$14,339 (net of accumulated depreciation).

Major capital asset events during the current fiscal year included the following:

- ❖ Depreciation of the fixed assets per schedule adopted by the Board
- ❖ Purchase of office equipment, computer equipment, field equipment and a vehicle.

**Sotoyome Resource Conservation District's Capital Assets
(net of depreciation)**

| | |
|--------------------|------------------|
| Office Equipment | \$ 834 |
| Vehicles | 2,650 |
| Computer Equipment | 3,573 |
| Furniture/Fixtures | 440 |
| Field Equipment | <u>6,842</u> |
| Total | <u>\$ 14,339</u> |

Additional information on the Sotoyome Resource Conservation District's capital assets can be found in Note 4 on page 24 of the Audit Report.

Long-term debt. At the end of the current fiscal year, the Sotoyome Resource Conservation District had a total outstanding debt of \$129,949, of which \$7,245 was classified as long-term.

Sotoyome Resource Conservation District's Outstanding Debt

| | |
|----------------------|-------------------|
| Compensated Absences | \$ 7,245 |
| Deferred Revenue | 99,358 |
| Accounts Payable | <u>23,346</u> |
| Total | <u>\$ 129,949</u> |

The Sotoyome Resource Conservation District's total debt decreased \$14,410 during the current fiscal year. The key factors in this decrease are that there were fewer unpaid bills to vendors and subcontractors (accounts payable) related to services provided for the completion of grant contracts at the end of the fiscal year ended 2008 in comparison to the previous fiscal year, and a significant increase in deferred revenue. The accounts payable amount due decreased by \$193,489, the compensated absences amount increased by \$1,409, and

**SOTOYOME RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

deferred revenues increased by \$96,014, largely due to the prepayment of contract services by Cal Trans.

Awards and Major Grant Contracts Awarded for Fiscal Year 2007/2008

| | |
|--|-------------------|
| ❖ California Department of Transportation: Arundo Eradication Cal Trans coop. agreement 01-0331 | \$ 99,358 |
| ❖ City of Santa Rosa Hi School Bioassessment Program | \$ 6,085 |
| ❖ Circuit Rider Productions, Inc. <i>Arundo donax</i> removal program | \$ 80,000 |
| Russian River Contribution Agreement | \$ 50,000 |
| Russian River Creek Care Guide | \$ 10,000 |
| ❖ Sonoma County Water Agency Salmonid Coalition | \$ 20,505 |
| ❖ West Coast Watershed Saddle Mountain Management Plan | \$ 20,000 |
| ❖ Laguna de Santa Rosa Foundation Watershed Partnership Program | \$ 21,600 |
| ❖ U.S. Department of Agriculture/ARS Soil and Water Assessment Tool | \$ 15,000 |
| ❖ Grazing Leases Terralinda Dairy | \$ 1,500 |
| Beretta Dairy | <u>\$ 1,500</u> |
| Total Awarded | <u>\$ 325,548</u> |

The District has been receiving administrative fees to operate the Laguna Valley Mitigation Bank for Domenic & Lynda Carinalli. The District received \$ -0- in administrative fees during the current year, as no credits were sold. To date the District has received a total of \$27,700 in fees. An initial Stewardship Fund of \$10,000 was allocated for expenses related to development of the conservation easement (attorney fees, staff time, photocopying documents, and filing fees) and any future legal or other expenses related to holding the conservation easement.

The unexpended funds are held in trust at the Sonoma County Treasury and will earn interest at the rate of

**SOTOYOME RESOURCE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

4.10% (this rate varies quarterly). The balance of this portion of the fund as of June 30, 2008 was \$6,577.

Economic Factors and Next Year's Budgets and Rates

- ❖ Difficult economic conditions and reassessment of homes contributes to the property tax stagnation
- ❖ Changes in local, state and federal budgets that affect intergovernmental awards available to fund projects and/or programs
- ❖ Changes in the number and/or funding amounts of intergovernmental contracts awarded during the current fiscal year
- ❖ Changes in service revenues, donations and/or miscellaneous sales revenue

All of these factors were considered in preparing the Sotoyome Resource Conservation District's budget for the Fiscal Year 2008/2009.

During the current fiscal year, the general fund balance increased to \$93,648. The Sotoyome Resource Conservation District has not appropriated any of this amount for spending in the 2008/2009 fiscal year budget. No portion of the general fund balance is reserved or restricted.

Requests for Information

This financial report is designed to provide a general overview of the Sotoyome Resource Conservation District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be made in writing and addressed to:

Sotoyome Resource Conservation District
PO Box 11526
Santa Rosa, CA 95406-1526
Attn: Kara Heckert, Executive Director

SOTOYOME RESOURCE CONSERVATION DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

| | |
|---|--------------------------|
| ASSETS | |
| Cash and investments | \$ 98,345 |
| Accounts receivable | 117,516 |
| Due from other governments | 491 |
| Capital assets: | |
| Office equipment | 5,632 |
| Computer equipment | 17,249 |
| Furniture/fixtures | 2,497 |
| Field equipment | 14,213 |
| Vehicles | 3,000 |
| Accumulated depreciation | <u>(28,252)</u> |
| Total Assets | <u>230,691</u> |
| LIABILITIES | |
| Accounts payable | 23,346 |
| Deferred revenue | 99,358 |
| Compensated absences | <u>7,245</u> |
| Total liabilities | <u>129,949</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 14,339 |
| Unrestricted | <u>86,403</u> |
| Total Net Assets | <u><u>\$ 100,742</u></u> |

The accompanying notes are an integral part of these financial statements

SOTOYOME RESOURCE CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Change in Net Assets |
|-------------------------------|-------------------|-------------------------|--|--|---|
| | | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants | |
| Governmental Activities: | | | | | |
| General Government | \$ 615,260 | \$ 15,182 | \$ 617,177 | \$ - | \$ 17,099 |
| Total Governmental Activities | <u>\$ 615,260</u> | <u>\$ 15,182</u> | <u>\$ 617,177</u> | <u>\$ -</u> | <u>17,099</u> |

General Revenues

| | |
|--|-------------------|
| Secured and unsecured property taxes | 39,939 |
| Use of money and property | 752 |
| Other | <u>9,192</u> |
| Total general revenues | 49,883 |
| Change in net assets | 66,982 |
| Net assets at beginning of fiscal year | <u>33,760</u> |
| Net assets at end of fiscal year | <u>\$ 100,742</u> |

The accompanying notes are an integral part of these financial statements

SOTOYOME RESOURCE CONSERVATION DISTRICT
BALANCE SHEET
June 30, 2008

| | General Fund |
|--------------------------------------|--------------------------|
| ASSETS | |
| Cash and investments | \$ 98,345 |
| Accounts receivable | 117,516 |
| Due from other governments | <u>491</u> |
| Total Assets | <u><u>\$ 216,352</u></u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities | |
| Accounts payable | \$ 17,482 |
| Deferred revenues | 99,358 |
| Payroll liabilities | <u>5,864</u> |
| Total Liabilities | <u>122,704</u> |
| FUND BALANCES | |
| Fund Balances | |
| Unreserved, undesignated | <u>93,648</u> |
| Total Fund Balances | <u>93,648</u> |
| Total liabilities and fund balances | <u><u>\$ 216,352</u></u> |

The accompanying notes are an integral part of these financial statements

**SOTOYOME RESOURCE CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2008**

| | | |
|--|----|--------|
| Total fund balances - governmental funds | \$ | 93,648 |
|--|----|--------|

In governmental funds, only current assets are reported.
In the statement of net assets, all assets are reported,
including capital assets and accumulated depreciation.

| | | |
|-----------------------------------|-----------------|---------------|
| Capital assets at historical cost | 42,591 | |
| Accumulated depreciation | <u>(28,252)</u> | |
| Net | | <u>14,339</u> |

The liabilities below are not due and payable in the current
period and, therefore, are not reported in the Governmental
Fund Balance Sheet.

| | |
|------------------------------|---------|
| Compensated absences payable | (7,245) |
|------------------------------|---------|

| | | |
|---------------------------------------|----|-----------------------|
| Net assets of governmental activities | \$ | <u><u>100,742</u></u> |
|---------------------------------------|----|-----------------------|

SOTOYOME RESOURCE CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2008

| | General Fund |
|---|-----------------|
| Revenues: | |
| Taxes and assessments | \$ 39,939 |
| Intergovernmental revenues | 617,177 |
| Charges for services | 15,182 |
| Use of money and property | 752 |
| Other revenues | 9,192 |
| | <hr/> |
| Total revenues | 682,242 |
| | <hr/> |
| Expenditures: | |
| Current | |
| Salaries and benefits | 209,475 |
| Services and supplies | 399,741 |
| Capital outlay | 12,482 |
| | <hr/> |
| Total expenditures | 621,698 |
| | <hr/> |
| Excess of revenues over (under) expenditures | 60,544 |
| | <hr/> |
| Fund balances - July 1, 2007 | 33,104 |
| | <hr/> |
| Fund balances - June 30, 2008 | \$ 93,648 |
| | <hr/> |

The accompanying notes are an integral part of these financial statements

**SOTOYOME RESOURCE CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

| | |
|-----------------------------|-----------|
| NET CHANGE IN FUND BALANCES | \$ 60,544 |
|-----------------------------|-----------|

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

| | |
|---|---------|
| Capital outlay expenditures are therefore added back to fund balances | 12,482 |
| Depreciation expense not reported in governmental funds | (4,635) |
| | 12,482 |

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

| | |
|----------------------|---------|
| Compensated absences | (1,409) |
| | (1,409) |

| | |
|---|-----------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | \$ 66,982 |
| | 66,982 |

SOTOYOME RESOURCE CONSERVATION DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

| | <u>General Fund</u> |
|--|--------------------------|
| ASSETS | |
| Cash and investments - Wright Preservation Bank Trust | \$ 55,830 |
| Cash and investments - Laguna Valley Mitigation Bank Trust | <u>54,719</u> |
| Total Assets | <u>110,549</u> |
| LIABILITIES | |
| Deposits held for others | <u>110,549</u> |
| Total Liabilities | <u><u>\$ 110,549</u></u> |

The accompanying notes are an integral part of these financial statements

SOTOYOME RESOURCE CONSERVATION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2008

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Taxes and assessments | \$ 34,327 | \$ 34,327 | \$ 39,939 | \$ 5,612 |
| Intergovernmental revenues | 721,882 | 673,399 | 617,177 | (56,222) |
| Charges for services | - | - | 15,182 | 15,182 |
| Use of money and property | 900 | 900 | 752 | (148) |
| Other revenues | 147,926 | 148,137 | 9,192 | (138,945) |
| Donations | 19,941 | 62,241 | - | (62,241) |
| | | | | |
| Total revenues | <u>924,976</u> | <u>919,004</u> | <u>682,242</u> | <u>(236,762)</u> |
| Expenditures: | | | | |
| Current | | | | |
| Salaries and benefits | 202,467 | 196,788 | 209,475 | (12,687) |
| Services and supplies | 837,515 | 821,745 | 399,741 | 422,004 |
| Capital outlay | 4,000 | 4,000 | 12,482 | (8,482) |
| | | | | |
| Total expenditures | <u>1,043,982</u> | <u>1,022,533</u> | <u>621,698</u> | <u>400,835</u> |
| | | | | |
| Excess of revenues over (under) expenditures | (119,006) | (103,529) | 60,544 | (637,597) |
| | | | | |
| Fund balances - July 1, 2007 | | | <u>33,104</u> | |
| | | | | |
| Fund balances - June 30, 2008 | | | <u>\$ 93,648</u> | |

The accompanying notes are an integral part of these financial statements

SOTOYOME RESOURCE CONSERVATION DISTRICT

Notes to Basic Financial Statements

June 30, 2008

Note 1: Description of Entity

The Sotoyome Resource Conservation District (District) develops soil and water conservation programs in Sonoma County under Division 9 of the Public Resources Code. The purpose of the District is to help all land users in the District, individually and as community groups, to conserve and develop soil and to protect water and land resources through good agricultural practices, erosion control, improved irrigation, flood control, development and protection of water supplies, soil and crop improvement, range and pasture improvement, and proper use of wetlands. The District's governmental powers are exercised through a five member Board of Directors.

Note 2: Summary of Significant Accounting Policies

The financial statements of the Sotoyome Resource Conservation District have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA), as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit within the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39. The basic, but not the only, criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, there are no component units included in the reporting entity.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the District. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and

SOTOYOME RESOURCE CONSERVATION DISTRICT

Notes to Basic Financial Statements June 30, 2008

Note 2: Summary of Significant Accounting Policies – (Continued)

B. **Basis of Presentation** – (Continued)

contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: Separate financial statements are presented for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the fund financial statements.

C. **Major Funds**

GASB Statement No. 34 defines major funds and requires that the District's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The District reported the following major governmental fund in the accompanying financial statements:

General Fund

The General Fund is the District's primary operating fund. It is used to account for all financial resources except those required to be accounted for in other funds.

D. **Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources measurement* focus and the modified accrual basis of accounting. Under this method, revenues are recognized when *measurable and available*. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisition under capital leases are reported as *other financing sources*.

SOTOYOME RESOURCE CONSERVATION DISTRICT

Notes to Basic Financial Statements

June 30, 2008

Note 2: Summary of Significant Accounting Policies – (Continued)

D. **Basis of Accounting – (Continued)**

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the District funds certain programs through a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The District's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

E. **Budgets**

The District established the fiscal year as the twelve months period beginning July 1. A budget of estimated expenditures and revenues for the General Fund for the ensuing fiscal year is submitted by the Executive Director and approved by the Board of Trustees. All annual appropriations lapse at the end of each fiscal year.

F. **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. **Capital Assets**

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair value at the date of donation. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$1,000. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets which are 5 years for furniture, fixtures and field equipment and 3 years for computer and office equipment.

H. **Net Assets and Fund Balances**

Government-wide Financial Statements

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding

SOTOYOME RESOURCE CONSERVATION DISTRICT

Notes to Basic Financial Statements June 30, 2008

Note 2: Summary of Significant Accounting Policies – (Continued)

H. **Net Assets and Fund Balances – (Continued)**

debt that contributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Assets - This amount represents net assets restricted by parties outside of the District.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets”.

Fund Financial Statements

Fund Equity - Reservations of fund balance of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

I. **Compensated Absences**

An employee accumulates vacation and sick leave time in accordance with respective “Memorandum of Understanding”. Vacation and sick time vested and accrued depends on years of service and date of hire with the District. Vacation may be accumulated up to 160 hours and is paid in full upon termination or retirement. Sick time may be accumulated up to 240 hours, but unused sick leave is non-compensable upon termination or retirement.

J. **Property Taxes**

All property taxes are collected and allocated by the County of Sonoma to various taxing entities. Property taxes are determined annually as of January 1 and attach an enforceable lien on real property as of July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The District participates in the County of Sonoma’s “Teeter Plan” method of property tax distribution and thus receives 100% of the District’s apportionment each fiscal year, eliminating the need for an allowance for uncollectible accounts. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessment, not on collections, according to the following schedule: 55% in December, 40% in April, and 5% at the end of the fiscal year. Property tax is recognized when it is available and measurable. The District considers property tax as available if it is received within 60 days after fiscal year end.

SOTOYOME RESOURCE CONSERVATION DISTRICT

Notes to Basic Financial Statements June 30, 2008

Note 3: Cash & Investments

At June 30, 2008, deposits and investments were reported in the accompanying financial statements as follows:

| | Cash and Investments | Cash and Investments in Sonoma County Treasury | Total |
|--------------|-------------------------|---|-------------------|
| General Fund | \$ 14,257 | \$ 84,088 | \$ 98,345 |
| Agency Fund | - | 79,816 | 79,816 |
| | <u>\$ 14,257</u> | <u>\$ 163,904</u> | <u>\$ 178,161</u> |

Deposits

The cash on deposit with banks is insured to the first \$100,000 by the Federal Deposit Insurance Corporation. The California Government Code requires California banks and savings and loan associations to secure the District's deposits, in excess of insured amounts by pledging government securities as collateral. The fair value of pledged securities must equal at least 100% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits.

Cash is classified in three categories of credit risk as follows:

- Category 1 - Deposits which are insured or collateralized with securities held by the District or the District's agent in the District's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 - Deposits which are uncollateralized, or collateralized but the pledged securities are not held in the District's name.

The carrying amount of the District's deposits represents the bank balances adjusted for outstanding checks and deposits in transit. The District's deposits by category as of June 30, 2007 are as follows:

| | Category | | | Bank Balance | Carrying Amount |
|-----------------------------------|------------------|---------------|---------------|------------------|--------------------|
| | 1 | 2 | 3 | | |
| Cash & deposits: Bank Accounts | \$ 14,257 | \$ N/A | \$ N/A | \$ 37,585 | \$ 14,257 |
| | <u>\$ 14,257</u> | <u>\$ N/A</u> | <u>\$ N/A</u> | <u>\$ 37,585</u> | <u>\$ 14,257</u> |

The District maintains \$100 in an imprest account.

SOTOYOME RESOURCE CONSERVATION DISTRICT

Notes to Basic Financial Statements

June 30, 2008

Note 3: Cash & Investments – (Continued)

Investments

The District has adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. GASB Statement No. 31 established fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants, and stock rights that have readily determinable fair values. Accordingly, the District reports its investments at fair value in the balance sheet. All investment income, including changes in fair value of investments, is recognized as revenue in the operating statement.

Investments made by the District are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below, as required by GASB Statement No. 3:

Category 1 - Insured or registered, or securities held by the District or its agent in the District's name;

Category 2 - Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name; and

Category 3 - Uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the District's name.

* Investments in pools managed by other governments of in mutual funds are not required to be categorized.

The District's investments by category as of June 30, 2008, are as follows:

| | Category | | | Carrying Amount/ Fair Value |
|---|----------|--------|--------|-----------------------------------|
| | 1 | 2 | 3 | |
| *Cash & Investments with the County of Sonoma | \$ N/A | \$ N/A | \$ N/A | \$ 163,904 |

SOTOYOME RESOURCE CONSERVATION DISTRICT

Notes to Basic Financial Statements June 30, 2008

Note 4: Capital Assets

Governmental Activities

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

| | Balance July 1, 2007 | Additions | Deletions | Balance June 30, 2008 |
|---|-------------------------|-------------------|---------------|--------------------------|
| Capital Assets, being depreciated: | | | | |
| Office Equipment | \$ 4,736 | \$ 896 | \$ - | \$ 5,632 |
| Computer Equipment | 17,571 | 7,954 | 4,276 | 17,249 |
| Furniture/Fixtures | 2,497 | - | - | 2,497 |
| Field Equipment | 9,581 | 4,632 | - | 14,213 |
| Vehicles | - | 3,000 | - | 3,000 |
| Total | <u>34,385</u> | <u>12,482</u> | <u>-</u> | <u>42,591</u> |
| Less accumulated depreciation for: | | | | |
| Office Equipment | (4,736) | (62) | - | (4,798) |
| Computer Equipment | (15,474) | (2,477) | 4,276 | (13,675) |
| Furniture/Fixtures | (1,817) | (240) | - | (2,057) |
| Field Equipment | (5,866) | (1,506) | - | (7,372) |
| Vehicles | - | (350) | - | (350) |
| | <u>(27,893)</u> | <u>(4,635)</u> | <u>4,275</u> | <u>(28,252)</u> |
| | <u>\$ 6,492</u> | <u>\$ (7,847)</u> | <u>\$ (1)</u> | <u>\$ 14,339</u> |

Depreciation expense was charged to functions/programs of the District's governmental activities as follows:

General government \$ 4,635

Note 5: Self Insurance

The District is covered for commercial and general liability and errors and omissions, as well as automobile and excess liability insurance. The District purchases its insurance coverage through the Special Districts Risk Management Association (SDRMA) Workers' Compensation Insurance is also purchased through the SDRMA.

Note 6: Long-Term Debt:

A summary of activity of the long-term debt is as follows:

| | Balance July 1, 2007 | Additions | Retirements | Balance June 30, 2008 |
|----------------------|-------------------------|-----------------|-------------|--------------------------|
| Compensated absences | \$ 5,836 | \$ 1,409 | \$ - | \$ 7,245 |
| Total Long-term Debt | <u>\$ 5,836</u> | <u>\$ 1,409</u> | <u>\$ -</u> | <u>\$ 7,245</u> |

SOTOYOME RESOURCE CONSERVATION DISTRICT

Notes to Basic Financial Statements June 30, 2008

Note 7: Pension Plan

A. Plan Description

The District's defined benefit pension plan contributes to the Merrill Lynch SIMPLE Retirement Account Plan (SIMPLE Plan). The SIMPLE Plan provides retirement and disability benefits to plan members and their beneficiaries.

B. Funding Policy

The SIMPLE Plan members can contribute up to \$6,500 of the annual covered salary. The District is required to contribute up to 3% of the SIMPLE Plan member's annual covered salary.

C. Annual Pension Costs

For the June 30, 2008 fiscal year, the District's annual pension cost was \$3,665.

Note 8: Operating Lease

The District leases its facilities under a five-year operating lease that expires May 14, 2012. Rent expense for the fiscal year ended June 30, 2008 was \$18,000. Future minimum rental payments required under the above operating lease are as follows:

Fiscal Year Ending

| | |
|---------------|------------------|
| June 30, 2009 | \$ 20,880 |
| June 30, 2010 | 23,400 |
| June 30, 2011 | 24,924 |
| June 30, 2012 | 24,924 |
| Total | <u>\$ 94,128</u> |

Note 9: Contingencies

The District receives a number of grants from federal and state sources. Each of these grants is subject to audit by the grantor agency. An audit could result in the disallowance of costs which would result in an amount due to the grantor agency.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS.**

To the Board of Directors
Of Sotoyome Resource Conservation District
Santa Rosa, California

We have audited the financial statements of the governmental activities, the major fund and the fiduciary fund of the Sotoyome Resource Conservation District (District) as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sotoyome Resource Conservation District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated November 5, 2008.

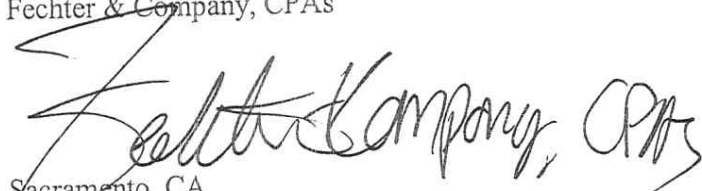
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sotoyome Resource Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
Of Sotoyome Resource Conservation District
Santa Rosa, California

This report is intended solely for the information and use of management, grantor agencies, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Fechter & Company, CPAs

A large, stylized handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is written over the printed text of the company name.

Sacramento, CA
November 5, 2008